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10:30 AM

THE WHITE HOUSE

WASHINGTON

January 9, 1979

MEMORANDUM FOR THE PRESIDENT

FROM:

LOUIS MARTIN  
WALT WURFEL

SUBJECT:

Your Radio-Format Interview with Black  
Reporters; Wednesday, 10:30-11:00 a.m.,  
in the Cabinet Room

The thirty-minute interview by five journalists will be released for broadcast and print use by the participants at 6:00 p.m. on Sunday. Martin Luther King would have been fifty on Monday.

The reporters will be asking about budget priorities. The briefing paper from OMB, Tab A, is oriented toward answering those. An NSC briefing focusing on Africa policy is Tab B. The Louis Martin two-year roundup on the Administration's achievements for blacks is Tab C.

Don Agurs of the Mutual Black Network will act as moderator. He will make a brief welcoming comment, then expects a few words from you before he begins the questioning. Agurs will keep the interview flowing and will ask the last question, identifying it as such.

The other panelists: Roy Betts Jet Magazine  
Vicki Allen National Black Network  
Ray Boone Afro-American Newspapers  
~~Tom Picou Chicago Daily Defender~~  
Shenman Bauscoe Natl. Newspaper Publishers Assn.

Allen is the new White House correspondent for the National Black Network.

There will be no White House press pool. A White House staff photographer will take pictures for release to the black media.

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TAB C

TAB A

TAB B

January 9, 1979

HENRY RICHARDSON

Q: Do you know why the National Security Council recently fired Henry Richardson, the only black on the NSC staff?

A: I am not aware of all the details but I understand that Henry Richardson left the NSC staff a few weeks ago after serving with distinction for close to two years. I am told Henry Richardson was offered a position at the Department of State but I am not sure what he has decided to do.

January 10, 1979

RHODESIA: U.S. HELICOPTERS

Q: The Associated Press recently reported that the 11 American-made helicopters smuggled into Rhodesia were shipped from Israel with American approval. Is this true?

A: -- No, we have never approved the sale of helicopters nor other military equipment to Rhodesia.

-- These 11 Bell 205 helicopters came to our attention in mid-December. The State Department undertook an immediate and thorough investigation - although the investigation is not complete, it now appears these helicopters were considered obsolete and excess inventory by Israel, and were sold to a purchaser in Singapore, apparently on the basis of assurances that these aircraft were to be used for civilian purposes.

-- Our investigations are continuing and we will continue to take every possible step to see that the arms embargo of Rhodesia is maintained.

-- (If asked). American approval was granted for the sale, on the specific assurances that the helicopters were to be shipped from Israel directly to Singapore, and were for non-military uses.

-- (If asked). We do not know as yet how the helicopters were shipped, but it seems possible that they went via South Africa.

January 9, 1979

RHODESIA: U.S. POLICY

Q: A recent report in the Washington Post suggested that the U.S. may "disengage" itself from the Rhodesian issue. Senator McGovern reportedly favors such a move. Is this under active consideration?

A: -- Complete "disengagement" does not seem to be possible and certainly not desirable, if by "disengagement" you mean that the U.S. should say that no further purpose can be served by active American diplomacy.

-- No plan is good and fair. Parties not ready to accept the British-American proposals for a variety of compelling internal reasons. Will maintain it as an alternative to armed conflict.

-- To this end, we are maintaining the closest possible contact with all parties to the conflict, in the hope that changing circumstances and changing perceptions may provide the basis for new movement toward a non-violent solution to the Rhodesian problem.



January 10, 1979

RHODESIA: HUGHES MISSION

Q: Last month, Mr. Cledwyn Hughes, a special representative of Prime Minister Callaghan, together with U.S. Ambassador Steven Low, traveled to Rhodesia and the "Front-Line" states. What were the results of that mission?

A: -- Mr. Hughes has reported privately to Prime Minister Callaghan, and I discussed this matter with the Prime Minister during our recent meeting at Guadeloupe.

-- The mission carried on thorough and useful discussions with all of the several parties to the Rhodesian dispute.

-- While there had been some discussion of calling a new all-parties meeting, it was felt that there was not sufficient flexibility in the various positions to warrant calling a meeting at this time.

-- We will, however, remain in close contact with all parties, - the "Front-Line" states, the Patriotic Front, and the present Rhodesian government, - in the hope of finding some grounds for further progress.

January 10, 1979

ZAMBIA: U.S. ARMS

Q: It was reported several weeks ago that the U.S. refused to sell arms to Zambia. Given the latest Rhodesian raids on Zambian targets, is this policy to remain in effect?

A: -- We remain very sympathetic to Zambia's economic and security problems, and we are continuing substantial economic support.

-- Military assistance is more difficult, given our general arms restraint policy.

-- However, we now understand that the U.K. has supplied substantial military equipment and supplies, and we do not rule out the possibility of supplying limited amounts of military-related equipment which might supplement the defensive aid the U.K. is providing.

-- Any future decision involving the sale of military equipment would, of course, have to be approved by the Congress.

January 10, 1979

NAMIBIA: SOUTH AFRICAN RESPONSE

Q: What is the current situation with respect to Namibia? What are the prospects for independence, and what is the role of South Africa, in light of the Namibian election they sponsored last month?

A: -- As you know, there was an internal election in Namibia in December, which elected a constituent assembly with limited powers.

-- The South African government remains committed to the implementation of UN Security Council Resolution 435, which calls for UN-supervised elections this year leading to full independence.

-- SWAPO also remains committed to participation in this UN election.

-- Secretary-General Waldheim and the South African government have recently exchanged positive and encouraging correspondence concerning the details of the UN plan.

-- Special UN representative Martti Ahtisaari is presently leading a delegation to Namibia to begin to implement the plan.

-- We are therefore quite encouraged that we will see some real progress toward Namibian independence in the next several weeks, even though there remain several difficult issues to be resolved.

January 9, 1979

SOUTH AFRICA: ARMS EXPORT REGULATIONS

Q: It has been reported that the U.S. is considering changing regulations on arms exports to South Africa. Is this true?

A: -- The U.S. is not going to change its policy on a South African arms embargo. It will remain in effect.

-- In November 1977, I issued a direction which prohibited any exports of commodities or technical data to the South African military and police. That directive stands.

-- The specific detailed regulations which were issued by the Department of Commerce to implement my directive have been in force now for one year.

-- Certain technical questions have been raised concerning the definition and interpretation of these regulations.

-- These questions are now being studied by the Secretaries of Commerce and State, but no determination has yet been made on the necessity for the clarification and interpretation of existing regulations.

January 9, 1979

SOUTH AFRICA: MEETING WITH BOTHA

Q: Why did you meet with Foreign Minister Botha? Does this signify a closer U.S.-South African relationship?

A: I met with Foreign Minister Botha to discuss the Namibian situation and the great urgency that we attach to a rapid solution. Our policy toward South Africa is not changing.

\* \* \*

-- I wanted to make clear to Mr. Botha the need for South Africa to take steps that would convince the United Nations of its bona fides in bringing the Namibian problem to an internationally acceptable solution.

-- Our position vis-a-vis South Africa remains unchanged. We hope to be able to cooperate with South Africa in dealing with all of the problems of Southern Africa.

-- (If asked). I explained to Mr. Botha that our position on possible sanctions would depend on South Africa's cooperation with the decisions of the U.N.

-- (If asked). There is no prospect of a meeting with Prime Minister Botha in the near term.

January 9, 1979

ANGOLA: DESIRE FOR U.S. RELATIONS

Q: Senator McGovern recently visited Angola and reports are that President Neto told him that he wants diplomatic relations with the U.S. Is the U.S. Government receptive to this idea?

A: -- There has been improved communication recently between Angola and the U.S. -- the government of Angola has been helpful in attempting to find a solution to the problem of Namibia, which threatens the security of the southern border of Angola.

-- Angola has taken positive steps to normalize its relations with Zaire.

-- In November, Assistant Secretary of State Richard Moose led an official delegation to Luanda to hold friendly and constructive talks.

-- There remain, however, certain difficulties, particularly the presence of some 20,000 Cuban combat troops in Angola, a situation which introduces a potential threat to the stability of the continent.

-- We are nonetheless hopeful that progress can be made toward a more normal relationship with Angola.

January 9, 1979

ZAIRE: SHABA INTER AFRICAN FORCE

Q: It has been reported that you have refused a request for American support from Senegal and Morocco, whose troops are keeping order in Shaba province. Is this true?

A: -- While the government of Morocco and Senegal have made "no formal requests" for assistance for their troops in the Inter African Force in Shaba province of Zaire, there have been informal discussions with our European and African friends who have been associated with the IAF, on the future of that force.

-- It is generally agreed that the IAF continues to play a useful role in Shaba and should remain during the next several months while Zairian troops are trained.

-- The U.S. carried a proportionate share of the financial burden of transporting these troops, and has expressed an interest in seeing the force remain in Shaba for so long as they are agreed to be useful.

-- We continue to be willing to cooperate as much as possible and on the basis of equity, in this peace-keeping effort, which has done so much to insure the peace and security in Central Africa.

TAB C



OFFICE OF LOUIS MARTIN  
WHITE HOUSE

12/21/78

### THE FIRST TWO YEARS

Soon President Jimmy Carter will reach the mid-point of his first term in office. Black Americans are asking what kind of beginning has been made. Is he living up to expectations?

Even a partial review of the achievements of the Administration indicates that the record is clearly encouraging. The Carter Administration has moved the government out of the shadow of "benign neglect" into the sunshine of "affirmative action."

One of the central themes of the Carter campaign revolved around the need to reform and reorganize the machinery of government. The President was determined to make certain that Federal programs worked and that the services they were established to offer were actually delivered. Historically, it has been the delivery government services that has most troubled and concerned the people.

It is noteworthy that one of the first reorganization plans proposed by President Carter called for consolidation of the scattered, Federal programs for enforcement of equal employment laws. This consolidation has been accomplished

and it has strengthened the Equal Employment Opportunity Commission under the leadership of Eleanor Holmes Norton.

Moreover, in his own backyard, the President for the first time in history placed the White House Office under Title VII provision which prohibits discrimination in employment.

The President has given new power to enforce affirmative action programs of Federal contractors to the Office of Federal Contract Compliance under the direction of Weldon Rougeau. The Civil Service Commission has been completely reorganized. Employees who excel can be rewarded and reactionaries, racists and incompetents can no longer hide. The Administration is presently developing a revised reorganization plan to consolidate other Federal civil rights, enforcement programs into a more effective tool to fight discrimination.

The issue uppermost in the minds of Black Americans historically has been the issue of employment. President Carter pledged to take action in this area and he has.

While the Administration has cut the unemployment rate by 25 percent for the nation as a whole, unemployment among Blacks, especially Black youth, remains too high. The President is tackling this serious problem head-on. He has launched a two-pronged attack in this battle. One involves basic job programs and the other centers around economic development, including assistance to Black enterprise.

The Administration has expanded and established new basic job programs. The expansion and reach of CETA--the Comprehensive Employment and Training Act--has been doubled under the direction of Assistant Labor Secretary, Ernest Green. Funding for 625,000 jobs this year, with a four-year authorization of \$46 billion, places CETA in a unique position to render service. Most noteworthy also is the fact that every effort has been made to target these funds to provide assistance to those most in need.

Along with CETA, the Administration developed other job initiatives including the enactment of the Youth Employment Act. This Act authorizes new programs that provide 250,000 job and training opportunities for jobless youth between the ages of 16 and 24. In addition, the Administration won approval of a private sector jobs initiative designed to create employment in the private sector for the hard core unemployed.

The Tax Reduction Act and the Economic Stimulus Act, both initiated by this Administration, provide \$23 billion in economic assistance, including \$4 billion in public works construction. Private firms also get tax credits for hiring Blacks.

For the long range, the President's support of the Humphrey-Hawkins Bill, which passed Congress, despite dire predictions that it would never see the light of day, may be the most important economic act of the Administration. The Humphrey-

Hawkins Act establishes the priority of full employment by law. It mandates that the President, the Federal Reserve Board and the Congress work together to use all the resources of government to stimulate full employment.

When we talk of unemployment and of all the programs for jobs, we do not traditionally think of Black businesses. Yet, it is becoming more and more apparent that the expansion in new government programs for minority business has some significance in the job field. Black businessmen by the hundreds are knocking on the doors of the Federal establishment for contracts with some of the same passion and concern that civil rights leaders exhibited a decade ago. The number of jobs being created by Black businesses are beginning to have real significance in reducing Black unemployment.

An example of the importance of these efforts was announced on December 18, 1978, when a Black-owned business landed an \$8 million contract from the Environmental Protection Agency. This firm, Raven Systems and Research Inc., headed by Ray Mott of Wahsington, D.C. will expand its work force from 150 to 300 employees to fulfill the work required by EPA. This contract, one of the largest for minority groups, was obtained from the Small Business Administration under the 8A program. Under this program, which has been greatly expanded by President Carter, federal contracts can be

secured without competitive bidding. It has been designed to give minority businesses a helping hand.

The Republicans traditionally talk and talk about free enterprise but the record shows that the Democrats have actually opened the door to Black entrepreneurs. The Commerce Department reports that more than 3,500 firms owned by Blacks have received over 7,600 Local Public Works construction and supply contracts totaling \$230 million. The Department estimates that \$600 million or 15 percent of the \$4 billion in Round Two Local Public Works Appropriation will be spent with 7,000 bona fide minority business enterprises.

The Carter Administration, in cooperation with the Congressional Black Caucus, succeeded in winning a major legislative victory in the passage of H.R. 11318, the Omnibus Minority Business Act. This new law includes provisions for technical assistance, for help on surety bonds and performance bonds for contractors and for a number of resources vital to minority supplies and vendors.

Perhaps the most notable achievements in minority business and in job development by minority business have come through the Administration's expansion of the set-aside principle. By setting aside a minimum percentage

of dollars and contracts, 10 or 15 percent for minority enterprise, the Administration guarantees that Blacks will get a fair share of the government business. In the Public Works program and in the Northeast Railroad Corridor this set-aside principle has won national acclaim. Minorities are getting over 15 percent of the business.

The President has reactivated the Inter-Agency Council for Minority Enterprise and they have a set goal of \$3 billion in Federal contract procurement to minority businesses by 1980. In the private sector the Minority Purchasing Council, which has been encouraged by government, has set a \$3 billion goal. Thus, with the government and the private sector together a goal of \$6 billion has been set to be spent with minority suppliers and contractors by 1980.

These business developments for minorities are helping to create jobs that are under the full control of minority producers and manufacturers. The implications of this program for the long range economic development of Black America are obvious. Blacks have become job developers as well as job seekers. The Carter Administration is taking giant steps in this direction.

It is the same spirit that the Administration has moved to put over 145 million dollars of Federal deposits in minority banks and is presently developing a minority bank development program to provide technical and managerial

assistance as well as capital to minority banks.

In March of 1978, the President issued his National Urban Policy which must be considered an important aid to minority economic development. The chief architect of this new thrust was Secretary Patricia Harris of the Department of Housing and Urban Development. Although the President's proposal for a National Development Bank did not get through Congress in 1978, some key measures did, most of which target urban aid to areas and people most in need.

In the Housing and Community Development Act which was enacted into law, over 2 billion dollars were authorized for community development over a 3 year period. Several new programs were funded, including \$400 million for Urban Development Action Grants. Over 300,000 new housing units were funded in 1978 alone.

We have discussed thus far some of the reorganization proposals and some of the economic and unemployment programs which have been advanced and established by President Carter.

Will this economic thrust and the new development programs of the Administration be strangled and killed by the efforts of the President to curb inflation? The answer is, NO. The President has made it clear that he is going

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forward not backward. He recognized the necessity for targeting programs in order to meet the needs of those who are most in need. He is demanding an end to waste, to fraud and to management abuses which cost the government billions of dollars and hamstrings the delivery of services. He is going to cut the fat out of every department, agency and program.

In his anti-inflation program, the President has exempted all those who make \$4 dollars or less per hour. Further, he is going to Congress to get wage insurance to protect those who obey the wage guidelines against an excessive rise in the inflation rate.

The President has made it clear that no one in America is going to starve. Indeed, when we look at the new food stamp program, where those who are poor no longer have to buy the stamps but will get them absolutely free, it is easy to understand why no one should go hungry. The program is funded for \$9 billion and it is an entitlement program which exempts it from most of the cutbacks that are so feared.

No assessment of the stewardship of President Carter at this mid-point in his Administration would be complete without reference to civil rights issues. The position of the Administration in the Bakke case and in going on record in the case of the Wilmington 10 served to indicate where the President stands. Solicitor General Wade McCree moved on

Bakke and Assistant Attorney General Drew Days moved on the Wilmington 10.

The President supported and personally worked for the passage of the D.C. Voting Rights Bill. As in the battle for Humphrey-Hawkins, he made the key calls to the leadership and the members of Congress to get action. Without his personal lobbying and pressure these legislative victories would not have been won. In addition, the President successfully supported a five year extension for the U.S. Civil Rights Commission.

The Administration won an important victory in the enactment of the Omnibus Judgeships Act of 1978, which has increased the number of federal judgeships by almost 30 percent. The President is making certain that minorities will get a fair share of these judgeships and for the first time Black federal judges will be appointed in Southern states.

Carter's appointment of Blacks to non-traditional posts through the federal establishment include Patricia Harris, Secretary of Housing and Urban Development, Clifford Alexander, Secretary of the Army, James Joseph, Under Secretary of the Department of Interior. The appointment of Blacks to a host of other posts underscores his sincerity.

No President in history has placed a Black man in such a key position in international relations and supported him

so courageously as this President has done in the case of Ambassador Andrew Young. The impact of Ambassador Young on this nation's foreign relations will one day be the subject of serious study in the universities of the nation. The Administration's support of high moral principles and programs for the redemption of Africa represents a revolution in foreign policy. The human rights doctrine of the Administration is under fire from reactionaries at home and abroad. Yet at long last the American flag stands for true liberty and morality in Africa and everywhere else in the world today.

The future of Blacks in this competitive, technological society depends on the availability and use of educational and training opportunities. Recognizing this basic fact, President Carter has greatly expanded educational resources.

The Education Amendments of 1978, supported by the Carter Administration increased funding by 25 percent. Moreover, greater emphasis has been given the programs for disadvantaged children including proposals for large increases in Title I and Headstart programs. The Middle Income Student Assistance Act which the Administration advanced expands the basic student aid programs. In education, as in other fields, the Administration sought to target assistance to those most in need of assistance.

Under the leadership of Mary Berry, Assistant Secretary for Education in HEW, new steps have been taken to enhance educational resources. A new Department of Education which would strengthen its educational thrust has been proposed by the Administration. President Carter has made a commitment to expand federal assistance to predominately Black colleges. In his new Directive for Black colleges, the President calls upon each agency of government to provide greater assistance to these institutions.

The cataloging of the achievements of the Carter Administration that are of special interest to Blacks does not, of course, present a complete picture or give the full measure of the Presidency of Jimmy Carter. His integrity and deep moral commitment to do what is good and right cannot be fully comprehended by a listing of good deeds alone. He has demonstrated in the first two years of his term that he can move America forward. He has demonstrated that he has both the courage and the capacity to meet the great challenges of our time.

We had the "New Deal" under President Franklin D. Roosevelt, the "Fair Deal" under President Harry Truman, the "New Frontier" under President John F. Kennedy and the "Great Society" under President Lyndon B. Johnson. President Jimmy Carter is advancing step-by-step in the great Democratic

tradition and bringing with him the highest moral idealism. He said that he wanted to create a government "as good as the American people". His Administration may well be labeled the "Good Deal".

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

JAN 9 1979

MEMORANDUM FOR: THE PRESIDENT

FROM: Jim McIntyre *Jim*

Attached for use in your Wednesday, January 10, meeting with members of the Black Media are materials relating to the 1980 Budget.

## Minorities and the 1980 Budget

### The budget and inflation

The 1980 budget is restrained. Budget restraint is essential if we are to overcome the threat of runaway inflation. We must stop that threat. If we do not do so, our whole society can be disrupted. The poor and those with fixed incomes suffer most when inflation is high.

### Programs for minorities and the poor

Although the budget as a whole has been held down, and many programs have been reduced, we have not reduced total assistance for minorities or the poor. The following points should be emphasized:

- Spending for civil rights programs is increasing from \$448 million in 1978 to \$555 million in 1979 and to \$592 million in 1980. (See table at Tab A)
- Assistance for minority businesses is expected to increase by 36 percent, from \$4.4 billion in 1979 to \$6.0 billion in 1980. In 1977 the total was only \$2.1 billion. (See table and extended talking notes at Tab B)
- Spending for programs for the poor in 1980 will increase by \$4 billion over 1979 and \$9-1/2 billion over 1978. (See table at Tab C). This represents a major effort on the part of this Administration to recognize the claims of the truly disadvantaged.
  - Education programs. Both elementary and secondary and higher education will be increased.
  - Community development. Programs will be increased.
  - Title II of CETA. The jobs targeted to the long-term unemployed will be increased; in addition, I restored most of the cuts OMB originally recommended for other Titles of CETA and will request funds for FY 1979 and FY 1980 to implement the private sector job initiative for disadvantaged youth.
  - Medicaid. Is increasing in part because we are making all low-income children and pregnant women eligible.

January 9, 1979



TAB A

Civil Rights Outlays by Department and Agency  
(In millions of dollars)

	<u>1978</u> <u>Actual</u>	<u>1979</u> <u>Estimate</u>	<u>1980</u> <u>Estimate</u>
Department of Agriculture .....	7.9	8.5	8.6
Department of Commerce .....	1.4	.8	.9
Department of Defense .....	37.4	38.3	39.3
Department of Health, Education, and Welfare .....	36.9	68.1	65.6
Department of Housing and Urban Development .....	8.4	8.9	13.1
Department of Justice .....	30.5	33.8	38.1
Department of Labor .....	46.3	49.7	54.2
Department of Transportation ....	2.2	2.1	2.2
Office of Personnel Management <sup>1/ 2/</sup> .....	188.4	217.7	230.7
Department of State .....	*	*	*
Commission on Civil Rights .....	10.4	10.8	11.1
Equal Employment Opportunity Commission .....	74.2	111.9	124.0
General Services Administration .	1.1	1.1	.2
Postal Service <sup>3/</sup> .....	(17.3)	(19.0)	(20.3)
Small Business Administration ...	.9	1.3	1.5
All Other .....	<u>2.0</u>	<u>2.6</u>	<u>3.0</u>
 Total .....	 448.0	 555.6	 592.5

\* Less than \$100 thousand.

1/ Includes outlays for all Federal service equal employment opportunity, including Upward Mobility, reported by departments and agencies.

2/ Formerly Civil Service Commission.

3/ Postal Service outlays appear in the Annexed Budget and are included here for memorandum purposes only.

January 8, 1979

TAB B

SUMMARY OF FEDERAL ASSISTANCE PROVIDED TO  
MINORITY-OWNED BUSINESSES (1979-1980)

(\$ IN MILLIONS)

	1977	1978	1979 EST.	1980 BUDGET
BUSINESS LOANS	315	353	513	968
FEDERAL PROCUREMENT	1,143	1,618	2,250	3,100
- SBA 8(a) ASSISTANCE	(517)	(768)	(1,000)	(1,350)
- MINORITY SUBCONTRACTING	(338)	(350)	( 500)	( 750)
- OTHER DIRECT PROCUREMENT	(288)	(500)	( 750)	(1,000)
GRANTS	327	909	1,141	1,334
MANAGEMENT AND TECHNICAL ASSISTANCE	63	64	77	81
OTHER ASSISTANCE	<u>265</u>	<u>328</u>	<u>405</u>	<u>493</u>
TOTAL	2,113	3,272	4,386	5,976

HIGHLIGHTS

- THE SUMMARY ABOVE REPRESENTS A BROADER LOOK AT PROGRAMS IN SEVERAL DEPARTMENTS AND AGENCIES WHICH PROMOTE THE GROWTH OF MINORITY ENTERPRISE. PAST ESTIMATES OF FEDERAL SPENDING TO ASSIST MINORITY FIRMS HAVE USUALLY BEEN CONFINED TO A FEW SPECIAL PROGRAMS IN THE SMALL BUSINESS ADMINISTRATION AND THE OFFICE OF MINORITY BUSINESS ENTREPRISE WITHIN THE COMMERCE DEPARTMENT.
- IN 1980, FEDERAL ASSISTANCE TO THE MINORITY BUSINESS SECTOR IS EXPECTED TO INCREASE BY 36% OVER THE PREVIOUS YEAR. MAJOR FACTORS BEHIND THE INCREASE WILL BE MORE WIDESPREAD USE OF MINORITY PARTICIPATION GOALS IN LOAN, GRANT, AND PROCUREMENT PROGRAMS BY FEDERAL AGENCIES AND THE ESTABLISHMENT OF THE PROPOSED NATIONAL DEVELOPMENT BANK.

## TALKING POINTS

### Minority Business Assistance in the 1980 Budget

- ° In 1980 this Administration will move forcefully to increase minority business participation in grant, loan, procurement, and technical assistance programs in all Federal departments and agencies
  - Our preliminary estimates are that Federal assistance provided to minority firms will increase from \$4.4B in 1979 to \$6.0B in 1980--an increase of 36%.
- ° Previous administrations have pointed to budget increases in a few special programs in the SBA and OMBE within the Commerce Department as the primary indicators of what the Government is doing to help minority firms.
  - This Administration believes that promoting minority enterprise should be a much broader-based effort--one that involves each Department and agency head, instead of symbolic programs affecting only one or two agencies.
  - I have asked the Office of Management and Budget to set into motion a new reporting and goal-setting system that will be part of the budget process to monitor Federal assistance to minority firms. The system will require government agencies to tell OMB in advance what level of resources and assistance they will make available to minority business as part of their budget plans. We intend that this kind of advance planning will extend to grants (particularly construction grants), procurement (subcontracting, direct, as well as SBA 8(a) procurement, business loans (in SBA, EDA, as well as in the Administration's proposed National Development Bank)).
  - The net result of the new emphasis on involving all agencies in the effort to expand assistance to minority businesses is that we will have:
    - (1) total, rather than token, Administration commitment to these policies;
    - (2) real progress in expanding assistance--demonstrated by the estimated 36% growth in 1980; and

- (3) an organized, efficient mechanism to review in advance what assistance each agency plans to make available to minority firms.

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

January 10, 1979

EYES ONLY

MEMORANDUM FOR THE PRESIDENT

FROM: Charlie Schultze *CLS*

Subject: Retail Sales in December

This afternoon (Wednesday, January 10) at 4:00 p. m. the Census Bureau will release its first estimate of retail sales in December and a revised estimate for November.

Sales continue to be very strong.

Total retail sales in December rose 1.0 percent, following a downward revised increase of 1.2 percent in November. The December rise was mainly in durable goods; sales of new cars increased, and so did sales of durable goods other than autos. Nondurable goods sales were about unchanged in December, but they had risen strongly in November.

Consumer spending in the fourth quarter has been exceptionally strong. Between the third and fourth quarters, total retail sales went up at an annual rate of 17 percent. Since prices of consumer commodities are rising at an annual rate of around 8 to 8-1/2 percent, roughly half of the sales increase was a rise in physical volume. This is a very large increase, and it suggests that real GNP growth in the fourth quarter may have exceeded 5 percent at an annual rate.

Annual Rate of Increase, in Percent  
Third Quarter to Fourth Quarter

Total Retail Sales	17
Durables	27
Autos	29
Other	24
Nondurables	12
General Merchandise Stores	13

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While we as yet have only partial data on consumer incomes for the fourth quarter, it appears that the rise in retail sales during the quarter was considerably larger than the increase in consumer after-tax incomes. Thus, the personal saving rate apparently declined still further from an already low 5.2 percent in the third quarter. We have no verifiable explanation for why consumers continue to spend so much of their current incomes, but it seems likely that many of them are buying in advance of expected further price increases. The unusual strength of durable goods purchases during the quarter is consistent with this explanation.

Economic activity in the final quarter of last year was stronger than we had expected, and much stronger than had been expected by most private forecasters. I would be only too happy if we could find some way of bottling up some of the current demand for goods and services and keeping it in reserve for later on.



THE WHITE HOUSE  
WASHINGTON

1/10/79

Gretchen Poston  
Jerry Rafshoon

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

THE WHITE HOUSE  
WASHINGTON

January 9, 1979

*I checked  
my favorites  
keep broad  
spectrum*

*T.C.*

MEMORANDUM TO: THE PRESIDENT AND MRS. CARTER  
FROM: GRETCHEN POSTON AND JERRY RA'SHOON *Jerry*  
SUBJECT: CULTURAL EVENT FOLLOWING CHINA STATE DINNER

The China dinner could begin at 6:30 p.m., giving ample time for dinner guests to arrive at 9:00 p.m. for a cultural program at the Kennedy Center. The cultural event is being pursued as an extension of the dinner, and as after-dinner entertainment at the White House presenting to the Chinese and the American public a cross-section of American art forms.

The total number of guests for dinner is now 135, excluding interpreters. Bill Hewitt, Chairman of Deere & Company, is Chairman of the event at the Kennedy Center. He is program chairman of the National Council for U. S. -China Trade and has personally guaranteed costs at the Kennedy Center and is raising funds at the Council for this purpose.

Hewitt's background includes many distinguished Presidential appointments; he is on the Board of Directors or Chairman of many of the large corporations, and is actively involved with Business Roundtables, Trilateral Commissions, in addition to cultural activities. As such, Anne Wexler feels he should be considered in the dinner list.

Evan Dobelle has also called, and he feels that the Chairman should come to the dinner as their representative.

Hewitt and White to be added: Approved                      ✓

Disapproved                      *J*

Following the dinner, the evening's cultural activities will be at the Kennedy Center in their entirety. We are in agreement that the program should have dignity as well as simplicity.

We propose the program be one hour in length which would be viewed by the Vice Premier and guests, the television audience in China - which would be seeing this program live, as will the American television public.

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For these reasons, we all agree that it should be a visual and musical event rather than verbal.

Jerry thinks it would be appropriate for you to open the program and for Mrs. Carter to possibly introduce one of the segments. ← ?

Although we have some specific ideas and specific requests that have come into our various offices, the total program is certainly not complete in that it is most important to remember that a performance of this sort is like a mosaic and the addition or removal of one act changes the feeling of the whole picture. That is why it is necessary to build a performance like this act by act considering how each addition affects the overall impression.

We would like your thoughts and reactions, and Jerry and I would be available to talk with you at your earliest convenience.

Jerry has asked George Stevens to produce the event and the following are his suggestions:

✓ BALLET: The New York City Ballet performing "Stars and Stripes." The company with music by John Phillip Sousa, choreographed by George Balanchine.

The Jeoffrey Ballet performing "Rodeo." The company with music by Aaron Copland, choreographed by Agnes de Mille.

✓ MUSICAL

THEATER: "Tomorrow" from the musical "Annie" sung by the young girl playing Annie and the supporting cast -- to be joined by a young Chinese-American girl (to be found) to join the number and sing "Tomorrow" in Chinese.

BLUES

✓ JAZZ: "Eubie" the Broadway production with the extraordinary dancing of the Hines Brothers combined with gospel music.

"Storyville" a new play about to open at Ford's Theater consisting of New Orleans jazz and song.

FOLK

✓ MUSIC: Folk music could be performed by a soloist, or a musical group, or a soloist accompanied by a large choir (i.e., Johnny Cash has sung with a large choir). Possibilities: Willie Nelson, Johnny Cash; Pete Seeger.

CLASSICAL  
MUSIC:

Beverly Sills and Sherrill Milnes of the Metropolitan Opera singing songs from their new album "Up in Central Park."

A piano or violin solo or duet.

- ✓ MAGIC: Doug Hennings from "The Magic Show."
- ✓ SPECIAL: In response to Vice Premier Teng's interest in basketball, the Harlem Globetrotters doing their "Sweet Georgia Brown" number.
- ✓ PUPPETS: The Muppets. We are exploring whether there is anything in their repertoire that would work on a stage the size of the Opera House.

A few of the other suggestions that have come in the office in addition to the New York City Ballet segment are:

DANCE: The American Dance Machine, choreographed by Agnes de Mille and Peter Gennaro.

A four-segment rousing American dance program with the finest American choreographers and some of the most loved dances:

- From George M - deMille's "All Aboard for Broadway"
- From Carousel - deMille's "June Is Bustin' Out All Over"
- From Molly Brown - Gennaro's "Up Where the People Are" and "The Monte Carlo Crossover"

CLASSICAL: Chamber Music with American Musicians

An understated title for the giants of American music -- Itzak Perlman, Pinchas Zuckerman and Friends

✓ OPERA: Leontyne Price

One of America's favorites singing from American operas

YOUTH: Robert Shaw conducting the Atlanta Boys Choir  
Their repertoire would include segments of sea chants, and classical standard folk songs from the Appalachian such as "Shenandoah". They enjoy an international reputation and the 50 member choir has a superb excellence.

In order to give us some guidance, please indicate those ideas that you think are most appropriate in this cultural event.

STATE DINNER

Chinese

Monday, January 29, 1979

Timbale of Seafood  
Fleurons

Roast Stuffed Loin of Veal  
Saffron Rice  
Broccoli Spears

Endive & Watercress Salad  
Trappist Cheese

Chestnut Mousse  
Chocolate Truffles

Paul Masson Pinot Chardonnay 1976  
Simi Rose of Cabernet Sauvignon 1976  
Hanns Kornell Extra Dry Champagne



VETERANS ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS  
WASHINGTON, D.C. 20420  
JANUARY 9 - 1979

MEMORANDUM FOR:

The Honorable  
Jimmy Carter  
The President  
The White House

FROM:

Max Cleland  
Administrator of Veterans Affairs

Veterans Organizations in the United States

You asked me about veterans organizations on Veterans Day at Arlington National Cemetery. Please accept the following information in response.

There are about 30 million living veterans with 65 million dependents. Together they represent some 44% of the population of the United States.

The Veterans Administration maintains communications with 51 veterans service organizations which have a total membership of about 9 million (7 million members plus 1.9 million members of sixteen auxiliaries). We estimate that there are up to 100 other veterans groups which are exclusively patriotic or fraternal but these are not active in national veterans affairs. Total organizational involvement in veterans organizations exceeds 10 million.

Active organizations' characteristics are as follows.

MEMBERS AND AUXILIARIES

Traditional Veterans Organizations (22)---	7,458,176
Military-Oriented Organizations (15) -----	1,254,800
Minority Organizations (5) -----	163,625
Patriotic Organizations (6) -----	34,450
Vietnam Veteran Advocacy Organizations (3) -----	920
TOTAL -----	8,911,971

There are four major veterans organizations which represent the majority of organized veterans. Besides these four, there are only two other traditional groups which

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exceed memberships of 100,000. Characteristics of the four major groups are as follows.

<u>ORGANIZATION (DATE FOUNDED)</u>	<u>MEMBERS</u>	<u>AUXILIARY MEMBERS</u>	<u>TOTAL MEMBERS</u>
American Legion (1918)-----	2,640,000	948,000	3,588,000
Veterans of Foreign Wars (1899)	1,850,000	650,000	2,500,000
Disabled American Veterans (1920)-----	575,000	73,000	648,000
AMVETS (1946) -----	150,000	20,000	170,000
TOTAL-----	5,215,000	1,691,000	6,906,000

These four organizations represent 78% of all organized veterans; have over 30,000 local posts in over 16,000 communities; and have a total monthly publication circulation of over 5 million. They are a very powerful and effective lobby, especially when they act in concert with other veterans organizations such as Jewish War Veterans, Paralyzed Veterans of America, Blinded Veterans Association, and others. Their interests are primarily veterans affairs and defense matters.

Military-oriented groups such as the Fleet Reserve Association and Non Commissioned Officers Association are also well organized. There are fifteen of these groups (seven of which exceed 100,000 membership). They are mostly interested in defense matters and active-duty benefits, but they do become involved in veterans affairs.

Vietnam veterans are not well organized as separate organizations. The organized groups have a total membership of about 1,000, comprised primarily of paid persons involved with G.I. Bill programs. While small in numbers, they concentrate on visible advocacy and represent Vietnam era veteran concerns to some degree. The four major veterans organizations have a total of 1.4 million Vietnam era veteran members.

THE WHITE HOUSE

WASHINGTON

January 5, 1979

MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*

SUBJECT: Weekly Mail Report (Per Your Request)

Below are statistics on Presidential and First Family:

<u>INCOMING</u>	<u>WEEK ENDING 12/29</u>	<u>WEEK ENDING 1/5</u>
Presidential	23,620	20,805
First Lady	2,805	4,235
Amy	285	170
<u>Other First Family</u>	<u>60</u>	<u>90</u>
TOTAL	26,770	25,300

<u>BACKLOG</u>		
Presidential	9,790	5,615
First Lady	410	365
Amy	0	0
<u>Other</u>	<u>0</u>	<u>0</u>
TOTAL	10,200	5,980

DISTRIBUTION OF PRESIDENTIAL MAIL ANALYZED

Agency Referrals	19%	19%
WH Correspondence	49%	44%
Unanswerable Mail	19%	19%
White House Staff	5%	4%
Greetings Requests	7%	13%
<u>Other</u>	<u>1%</u>	<u>1%</u>
TOTAL	100%	100%

NOT INCLUDED ABOVE

Form Letters	0	1,536
Form Post Cards	2,960	2,220
Mail Addressed to White House Staff	12,761	12,063

cc: Senior Staff

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MAJOR ISSUES IN  
CURRENT PRESIDENTIAL ADULT MAIL  
Week Ending 1/5/79

ISSUES	PRO	CON	COMMENT ONLY	NUMBER OF LETTERS
Support for Recognition of People's Republic of China	19%	78%	3%	2,623
Support for President's Position re: Middle East	2%	73%	25%	1,036
Support for Funding for Older Americans Act Programs (1)	98%	1%	1%	556
Concern for President's Health (2)	0	0	100%	492
Support for Pardon for Patricia Hearst	96%	4%	0	316
Support for Deregulation of Trucking Industry (3)	10%	90%	0	217
Support for President's Program to Deal With Inflation	25%	25%	50%	216
Support for Deporting Iranian Demonstrators (4)	100%	0	0	<u>168</u>
			TOTAL	5,624

~~(See Notes Attached)~~

THE WHITE HOUSE  
WASHINGTON

1/10/79

Jerry Rafshoon  
Jody Powell

The attached was returned in the President's outbox today and is forwarded to you for appropriate handling.

Rick Hutcheson

cc: Phil Wise  
Fran Voorde

THE WHITE HOUSE  
WASHINGTON

1/8/79

Mr. President:

Phil Wise comments that it  
would be 3-4 weeks before  
this could be scheduled.

Rick

THE WHITE HOUSE  
WASHINGTON  
January 3, 1978

*Interviews  
associated w/ WSJ  
would be near  
the bottom of  
my priorities  
J*

MEMORANDUM FOR THE PRESIDENT

FROM: Jody Powell *JLP*  
Jerry Rafshoon *JR*

SUBJECT: Interview with Vermont Royster

We recommend that you agree to a 15-minute interview with Vermont Royster, retired editor of the Wall Street Journal. He writes a regular column for the paper's editorial page from his retirement home in North Carolina. Royster takes a more balanced view of Administration actions than the Journal's editorialists do.

Royster writes that in interviewing you he is "less interested in 'news' for the usual sense of that word... than in sharing with my readers well-informed observations. I very much want to avoid mistaken judgments."

He has just been honored by the National Press Club for "unusual excellence throughout his career." Royster's acceptance speech has been widely reprinted. In it he said journalists:

"...should be wary of giving an impression that we and our government are adversaries because it is upon press and government together that our liberties depend...

"There is nothing in the Bill of Rights, including the First Amendment, that makes the press a privileged class apart.

"The risk is that the people may think us arrogant. That First Amendment that we cherish is not some immutable right handed down to Moses on Mt. Sinai. It's a political right granted by the people in a political document and what the people grant they can, if they ever choose, take away. There is no liberty that cannot be abused and none that cannot be lost."

\_\_\_\_\_ Agree

✓ \_\_\_\_\_ Disagree

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THE WHITE HOUSE  
WASHINGTON

1/10/79

Hamilton Jordan

The attached was returned in  
the President's outbox today  
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appropriate handling.

Rick Hutcheson

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

THE WHITE HOUSE  
WASHINGTON

December 27, 1978

*Hamilton  
advise  
J*

MEMORANDUM TO THE PRESIDENT

FROM: BOB LIPSHUTZ *RL*  
RE: Appointment to vacancy on the Court of Appeals  
for the Sixth Circuit (Ohio)

As you will recall you indicated that you would appoint Nathaniel Jones, a black attorney, to fill this vacancy. Your decision was referred to the Department of Justice around the first of October.

Soon after that we were advised that the Department of Justice wished to hold up proceeding with the investigations or the notice, because of the culmination of the political campaign.

However, about the middle of November the Attorney General indicated that he wished to reopen consideration of this appointment and urged that, instead of Nathaniel Jones, you appoint District Court Judge Thomas Lambros to this vacancy. By that time information apparently had gotten out regarding your earlier decision.

At a meeting on November 28 with the Attorney General, Hamilton Jordan, Frank Moore, Tim Kraft and me, we agreed that the Attorney General would submit a written memorandum to you regarding his viewpoint and recommendation, and that I would be given an opportunity to review and comment upon it if I desire. The Attorney General indicated that he would in fact recommend that you change your decision in this instance, and I indicated that I would recommend that you proceed with the appointment of Nathaniel Jones.

Instead, the Attorney General advised me that he had discussed this matter with you orally rather than submit a written memorandum.

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One of the factors pointed out by Griffin Bell is that the Sixth Circuit already has one black judge sitting, among the total of eleven. However, I noted that, first of all this was a position occupied by a black judge before you assumed the Presidency (Wade McCree) and your appointment of Judge Keefe filled the vacancy created by the appointment of Wade McCree as Solicitor General, and secondly that the one judge in the Sixth Circuit at the present time is from Michigan whereas Nathaniel Jones is from Ohio. In fact, this appointment would be the first one of a black being appointed to a Circuit Court by you in which the appointee was not already a sitting judge on a lower court.

Nate Jones at present is the General Counsel of the NAACP and as you are aware, this organization is one of the most active groups in that community. Nearly everyone agrees that he is highly qualified and is recognized by whites and blacks as one of the most able black attorneys in the country.

It is widely known that he was your choice, and it would be extremely difficult to explain why there was a change in this original decision. In addition to a great deal of correspondence which has been received, Louis Martin and Jim Free are among those who are quite aware of the intensive support for this appointment.

I urge you to direct the Justice Department to proceed with the regular clearance process for Nate Jones and that you nominate him to this vacancy after successful completion of this procedure.



THE WHITE HOUSE

WASHINGTON

Date: Dec 29, 1978

MEMORANDUM

FOR ACTION:

Tim Kraft  
Frank Moore (Les Francis)

FOR INFORMATION:

Vice President  
Hamilton Jordan *NC*  
Arnie Miller *NC*

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: Lipshutz memo re Appointment to the Court of Appeals, 6th Circuit

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME: 9:00 a.m.

DAY: Tuesday

DATE: January 2

ACTION REQUESTED:

☒ Your comments  
Other: \_\_\_\_\_

STAFF RESPONSE:

\_\_\_\_\_ I concur. \_\_\_\_\_ No comment.  
*Please note other comments below:*

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
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	NO DEADLINE
	LAST DAY FOR ACTION

	<input checked="" type="checkbox"/>	VICE PRESIDENT
	<input checked="" type="checkbox"/>	JORDAN
		EIZENSTAT
	<input checked="" type="checkbox"/>	KRAFT
		LIPSHUTZ
	<input checked="" type="checkbox"/>	MOORE
		POWELL
		RAFSHOON
		WATSON
		WEXLER
		BRZEZINSKI
		MCINTYRE
		SCHULTZE
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		H. CARTER
		CLOUGH
		CRUIKSHANK
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		HERNANDEZ
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		LINDER
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		MOE
		PETERSON
		PETTIGREW
		PRESS
		SANDERS
		WARREN
		WEDDINGTON
		WISE
		VOORDE
		ADMIN. CONFIDEN.
		CONFIDENTIAL
		SECRET
		EYES ONLY

THE WHITE HOUSE  
WASHINGTON

To Rick Hutcheon:

Please "stuff" to  
Ham + Frank (Tim  
is out of town for a  
while), but please  
deliver to the President  
(on January 2 or 3) as  
written.

Bob Fiskutz

12/27/78

THE WHITE HOUSE  
WASHINGTON

1/10/79

Hugh Carter

The attached was returned in  
the President's outbox today  
and is forwarded to you for  
appropriate handling.

Rick Hutcheson

	FOR STAFFING
	FOR INFORMATION
✓	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

FOR ACTION  
FYI

	VICE PRESIDENT
	JORDAN
	EIZENSTAT
	KRAFT
	LIPSHUTZ
	MOORE
	POWELL
	RAFSHOON
	WATSON
	WEXLER
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✓	H. CARTER
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	PRESS
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THE WHITE HOUSE

WASHINGTON

December 21, 1978

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MEMORANDUM FOR THE PRESIDENT

FROM: HUGH CARTER *HC*  
SUBJECT: Replacement of Camp David Dispensary

A comprehensive evaluation conducted last year at Camp David by the Chesapeake Division of the Naval Facilities Engineering Command indicated that a number of buildings were structurally damaged due to age, moisture and drainage problems and, in some cases, termites. The Camp has undertaken repairs on Aspen, Hickory and Maple and will repair others during 1979. In the case of the dispensary, however, the damage is so extensive that the Navy has recommended the structure be demolished and replaced. I have reviewed this matter with Marty Beaman, Admiral Lukash and Lieutenant Commander Cugowski and we concur with the Navy's recommendation that the facility be replaced. At the same time, the new building would be increased in size by 400 square feet (to a total of approximately 1270 square feet) to eliminate the presently overcrowded conditions and provide adequate space for the medical and dental requirements.

In order to limit out of pocket costs of the building to \$60,896 and enhance security, it is planned to augment the Seabees presently assigned to the Camp with a small contingent to perform the construction. It is also recommended that the facility be relocated to the area reflected on the attached map. This would improve the aesthetics of Aspen Circle, allow use of the existing dispensary during the construction period and place it closer to its principal users, the Camp David personnel.

*61,000 - 1,100 = 62,100  
1270*

Soon after your inauguration you instructed me to properly maintain but not to add to Camp David. In my judgment replacement of this building would be within these guidelines. If you have no objections we will proceed as recommended.

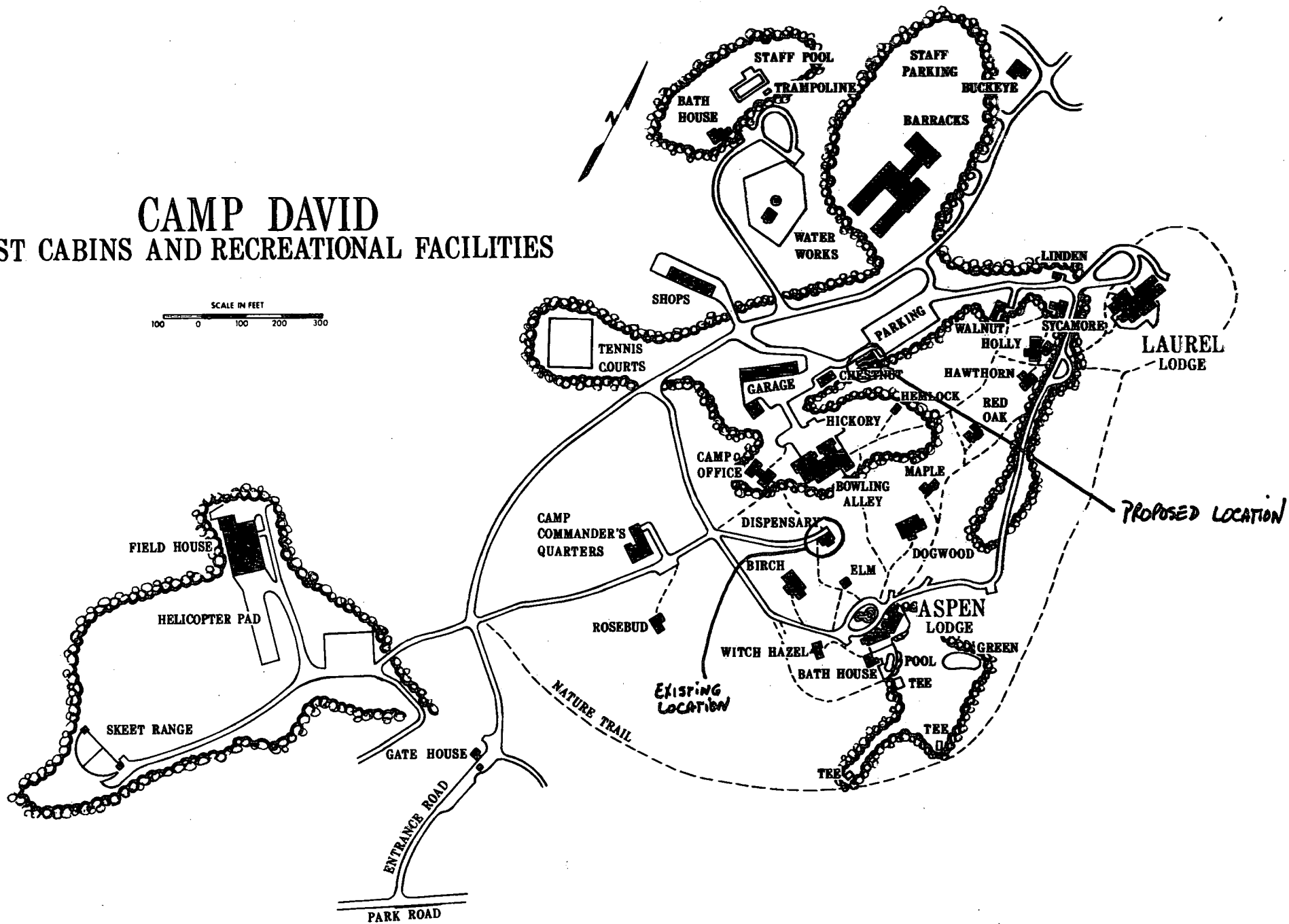
✓ Approve  
       Disapprove

*ok, but  
Post seems  
excessive  
Seabees doing  
work - J*

# CAMP DAVID

## GUEST CABINS AND RECREATIONAL FACILITIES

SCALE IN FEET  
100 0 100 200 300



3:00 PM

THE WHITE HOUSE

WASHINGTON

January 9, 1979

C

INTERVIEW WITH JOSEPH KRAFT

Wednesday, January 10, 1979

3:00 P (20 minutes)

Oval Office

From: Jerry Rafshoon *Jerry*

I. PURPOSE

Joe Kraft has expressed an interest in a personal interview with you. The two topics that he is most interested in discussing are Inflation and Iran. On Inflation, you talk; On Iran, you can just listen and "nod" while he talks.

II. BACKGROUND, PARTICIPANTS, PRESS PLAN

Participants will be you and Joe Kraft.

No press plan. White House photographer only.

III. TALKING POINTS

For preparation, you might want to review the attached articles by Joe. Included are recent articles on Iran, China, inflation, and a couple of year-end pieces.

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W. 12/31/78

# Carter's Year

Joseph Kraft

## The Turnarounds . . .

For the United States, 1978 was the year of the turnaround. In both domestic and foreign affairs, the Carter administration moved from losing positions that bred public doubt to winning positions that began to inspire confidence.

But whether the turnabout can be sustained is a question that abides. For the president and his advisers seem to have the impression that, far from changing essentially wrong policies, they just improved public presentation of policies that were right all along.

Economic policy provides a striking instance of what actually happened. President Carter began each of his first two years in office by stressing the need for government stimulus against recession. Hence his proposals for a \$50 tax rebate in 1977 and for a big and quick tax cut in 1978.

But the country has little confidence in government stimulus and less worry about slightly more unemployment. So public opinion forced a withdrawal of the rebate and a stretch-out and reduction in the proposed tax cuts.

In April 1978, Mr. Carter substituted inflation for unemployment as Public Enemy No. 1. Economic stimulus was reduced by a rise in interest rates, as well as the reduction and stretch-out in the tax cuts.

But the drop in stimulus was more than offset by a rise in confidence. The economy has been moving forward steadily over the past year, and the final quarter of 1978 may end with the gross national product rising at a 5 percent annual clip—which is far more than even the optimistic government forecasters predicted.

Getting on the right side of the confidence issue of the economy inevitably provided a tonic for the president's standing in Congress. He lost an effort to curtail water projects in 1977, and in the process forced the anti-administration majority that beat him on the rebates in 1977 and the proposed tax cut in early 1978.

But once he took the field against inflation, he won two historic battles. He was first sustained on the veto of a defense-authorization bill and then on the veto of a public-works bill, which included many of the water projects he had tried to knock out the year before.

No doubt the president's standing in the Congress was importantly advanced by the dramatic success of the Camp David summit in September. But behind that success was another change in position.

At Camp David the president finally came off shoving down the throat of Israel a comprehensive peace agreement embracing the Palestinians, Syrians and Jordanians as well as Egypt. He was able to win agreement because he settled instead for peace between Egypt and Israel first.

A similar shift took place in his stance on an arms-control treaty with Russia. In March 1977 and in May 1978, Carter tried to put Moscow under pressure—first with a brand-new arms-control proposal that came at the same time as an emphasis on human rights, and next by insisting that arms control be linked to good Soviet behavior in Africa.

Those efforts failed. Progress was made in the fall of 1977 and the fall of 1978, when Carter came off the pressure tactic. By October of this year, virtually everything was in place for a treaty and a summit meeting with the Soviet leader, Leonid Brezhnev.

As it happened, developments in the very last weeks of the year have caused the United States to miss both a settlement in the Mideast and an arms-control accord with Russia. The reason is that the president reverted to his old policies and a public-relations blitz.

He tried to push the Israelis into accepting a more comprehensive agreement than stipulated at Camp David by representing them as the only obstacle to peace. He tried to push the Russians into a quick agreement on arms control by doing a deal with China on normalization of diplomatic relations. Both times in vain.

A similar kind of sleight of hand seems to be in the works for the economy. The White House insists that the budget deficit next year will be held below \$30 billion. It also seems ready to accept increases in social services. Presumably, the circle will be squared by a budget that shows a \$30 billion deficit on books cooked in advance—that is to say, a phony budget.

What all this suggests to me is that the president and his advisers refuse to accept the hard fact that their original policies were wrong. They prefer to believe that they won public approval of the original policies by better packaging.

That interpretation, while more flattering, is probably not right. Hence the reason to doubt that the Carter administration can sustain the turnaround achieved last year.

3:00 p.m.

Joseph Kraft

## '79: The Year of 'What Next?'

To a rare degree, 1979 shapes up as the year of 'what next?' For in the course of the next 12 months the books will be closed on a large chunk of the recent past. New departures have to be taken, often on uncharted seas. The real Jimmy Carter will have to stand up.

The most obvious case in point is the domestic economy. All signs indicate that the recovery underway since the last quarter of 1975 will falter in the last half of 1979. Unemployment will rise above 6 percent, and the president will come under acute pressure from labor and minority groups inside the Democratic Party to apply some stimulus.

In the past Carter has always yielded to the pressure for stimulus within his own party. If he does so this time, however, inflation will soar. He will find himself facing, as President Ford did before him, a combination of rapidly rising prices and rapidly falling economic activity. At the same time, his many flip-flops on the economy will cost him the confidence he is only now beginning to enjoy.

A parallel case in foreign affairs arises from the negotiations for a peace treaty between Egypt and Israel which should reach fruition early next year.

*"New departures have to be taken, often on uncharted seas. The real Jimmy Carter will have to stand up."*

Agreement between those two countries will drive home a lesson the Carter administration has persistently refused to learn. Namely that tension between Israel and the Arabs is not the heart of this country's problem with the broad range of nations stretching from North Africa through the Middle East and Persian Gulf to Afghanistan.

As the case of Iran dramatically illustrates, the problem in these countries is internal. It has to do with the acute difficulty of balancing rapid modernization against the anti-development mystique of Islam.

A multitude of signs—including the waffling on Iran by the president—suggests that in dealing with such problems the United States is following a non-policy directed by an unperson. But unless the Carter administration can come up with a policy, it will see country after country slide from cooperation with the United States and its allies to a hostile attitude. There will

take place a set of events that will fuel the impression Carter is selling out this country's friends abroad.

Finally, there are the negotiations for a strategic arms limitation treaty. Since the conclusion of SALT I back in 1972, the centerpiece of American foreign policy has been the effort to conclude a follow-up treaty with the Russians. SALT II, putting a long-term lid on the number of offensive weapons, will almost surely be concluded in the near future.

But SALT II will move directly—and by explicit agreement—into another treaty, SALT III. Merely to think about SALT III is to raise some formidable intellectual problems.

For the first time it will be necessary to limit not only quantities of weapons, but qualitative improvements as well. Whether means of verification are good enough for that purpose is doubtful.

Moreover, in the third round, concen-

tration will move from "central systems" based in the United States and Russia, to "gray areas"—notably forces stationed by the two superpowers in allied countries.

That in turn raises the most delicate questions of American relations with the European allies, with Japan and by extension Mainland China. President Carter will begin discussions on SALT III at his meeting in Guadaloupe this week with the leaders of France, Britain and West Germany.

The discussion is bound to wax intense in coming months. For unless the administration can put together a coherent policy accepted by the allies it will be going into the election year at the mercy of shots from countries with the power to stir up internal trouble for the president.

None of these problems is likely to cost Carter renomination by the Democratic Party—which is now almost a foregone conclusion. But a Republican without prominent ideological identity—a Republican Carter—could use the general issue of confidence in economic management and foreign policy to bring together many disaffected single-issue groups in a potent coalition against the Democrats in 1980.



Joseph Kraft

## The Shah as Bellwether

When Louis XVI went to the guillotine, every monarch in Europe felt the back of his neck. So it is with the troubles now besetting the shah of Iran.

All the other leaders in the Middle East are watching to see what happens. Since they affect the world balance of power, Iran has become the center of a full-fledged international crisis—a first, and so far not altogether reassuring, test of the Carter administration's capacity to perform under pressure.

By itself, Iran is important enough. It supplies about 20 percent of the oil shipped to Europe, Japan, the United States and the other major consuming countries. It occupies a strategic bit of real estate due south of the Soviet Union and adjacent to two countries—Afghanistan and Pakistan—that are prime candidates for Soviet troublemaking.

Since the British withdrawal from the area in 1971, moreover, the shah's forces have been the principal source of security for the whole Persian Gulf. Weakening in Iran has a direct bearing on the world's leading oil exporter—Saudi Arabia. As the secretary of energy, James Schlesinger, said in a notable speech in London last week: "The disruptions in Iran's oil fields are vivid reminders of the fragility of the production and logistical system on which the health of the industrial world depends."

All the moderate leaders in the Mideast, furthermore, regard the shah as a bellwether. I saw Egyptian President Anwar Sadat last month just after I had seen the shah. Sadat pointed out to me



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that he and the shah were born in the same year, graduated from military school in the same year, and had close personal relations.

"He was so sharp," Sadat kept saying. "How could it happen to him?" Worry about that question and its implications for him is undoubtedly one of the main reasons for Sadat's slowdown in the peace negotiations with Israel.

In this country, the Central Intelligence Agency and the military intelligence organizations were clearly surprised by the sudden decline of the shah's authority. As usual in such cases, the intelligence failure was set within a larger intellectual blind spot, which affected business, the media and the universities as well as govern-

ment. Except for a tiny handful, notably Harvard professor Michael Fisher, almost no Americans perceived the formidable political impact of religion in Iran.

But even when the dangers became clear, the Carter administration failed to act effectively because of a deficient organization reflecting a poor overall sense of strategy. The basic fact is that this administration has had no high-level official paying systematic attention to Iran and the other countries of the Persian Gulf. The highest official who cares a lot about Iran in the State Department is Henry Procht, a desk officer who has to report through four layers of officials, primarily involved in Arab-Israeli

business, before reaching the secretary of state. His opposite number in the Pentagon is Robert Murray, who also has to report through four layers of officials before getting to Secretary of Defense Harold Brown. The White House man on Iran is a Navy captain, Gary Sick, who reports through four bosses before reaching the president.

The CIA, which has traditionally carried the ball for Iran in U.S. government councils, has almost no clout as a policy-making institution. The ambassador in Tehran, William Sullivan, has little standing at the State Department because of the role he played in pursuing the Johnson-Nixon line in Vietnam. Hence, the almost unprecedented over-

ruling of his insistence that the dependents of American servicemen remain in the country.

One result was the extraordinary statement by the president Thursday that the shah might fall. That comment drew a furious reaction from Tehran and excited something like panic among the rulers of the oil states in the Arabian peninsula. It was made off the wall and appalled most government officials who finally prevailed upon the White House to issue a formal claim that the president had been misunderstood.

Another example has been the free field accorded the shah's great enemy, Ayatollah Khomeini. He has been in exile in Paris, issuing ever stronger calls for murderous action against the regime over this weekend of holy days.

A little discreet muffling by the French during this critical time could have helped the shah enormously. But neither the president nor his national security adviser, Zbigniew Brzezinski, nor Secretary of State Cyrus Vance applied any pressure. So the French gave Khomeini maximum access to the world's best net of communications.

The designation of former Undersecretary of State George Ball to head an Iran task force is an acknowledgment that something went wrong. It would be a gain for everybody if the president and his men could come to understand that the most serious difficulty was not an intelligence failure in the middle ranks, but the wrong strategic priorities at the very top.

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Joseph Kraft

# The U.S. Stake in Backing the Shah

The latest outbreak of violence in Iran intensified a double confrontation. Internally, the shah, having failed to ease tensions by sweeping concessions, has been obliged by his own military to take on the dissidents in a test of strength. Externally, the critical importance of Iran in the global confrontation between Russia and the United States now asserts itself with a vengeance.

The source of trouble is the break-neck pace of modernization imposed upon the country by the shah. Among other things he has forced economic growth at a 10 percent clip, pushed education to the point where literacy has increased sixfold in the past 25 years, nationalized land, instituted a steel industry and an auto industry, and opened schools and jobs to women on a grand scale.

Inevitably, there have been terrible dislocations, especially for young people wrenched from village life and thrown into the crazy mix of corruption and congestion, shortage and vice, which characterizes Tehran and other cities. The disaffected youth, in schools and out, have provided foot soldiers for two groups interested in undoing the regime.

By far the most important are the Moslem clergy, or mullahs. Thanks to the shah, the mullahs have lost their lands, their dominant role in education and law, and the control they exercised, as leaders of land, over the ba-

zaars. The more fundamentalist among the mullahs have actively opposed the shah's modernization program, especially the liberation of women.

Circumstances have driven into alliance with the mullahs a small group of Marxist revolutionaries organized into tiny cells for terrorist action. At the center of this strange combination has been Ayatollah Komeini, an Iranian religious leader who has been sheltered by the radical regime in Iraq. Komeini continues to be in touch with the Islamic fundamentalists in Iran, and with radical Arabs—notably the Libyan regime of Muammar Qaddafi and the Palestinian extremists—patronized by Moscow.

About six months ago a campaign of low-level violence in Iran flared to the surface with a series of demonstrations organized against the shah by Islamic fundamentalists. The shah met those troubles, which reached a crescendo during the holy month of Ramadan, by a policy of steady concessions.

He fired the head of the secret police, or Savak. He allowed freedom of the press, and decreed that several parties could present candidates in the elections due next month. He instituted a campaign against corruption that, according to some reports, was due to touch even members of the royal family.

On Aug. 27, a week before the end of Ramadan, he ousted an American-edu-

cated technocrat, Jamshid Amouzegar, as prime minister, and replaced him with a traditional figure, Jaafar Sharif-Emami. The new prime minister made even more concessions to the Islamic fundamentalists. He closed down casinos and other gambling places, arranged for the dropping of the court minister—Abbas Hoveyda, who was suspected by the Islamic fundamentalists of having connections with the Bahai cult—and started consultation with at least the more moderate mullahs.

Nevertheless, demonstrations continued following the end of Ramadan on Sept. 4. In two of the protests, students tried to lure soldiers to their side of the struggle. Faced with that kind of subversion, the army chiefs prevailed upon the shah to decree martial law before a massive protest scheduled for Friday, Sept. 8.

That day the soldiers and the protesting youths clashed in a bloody fracas. At least a hundred were killed. Now tight security prevails in Tehran, and though there has been relative calm, a single spark could set off a new wave of fighting.

For the shah has run the string on concessions. Not only has liberalization been taken as a sign of weakness by the opposition, but now the Iranian military is in the picture forcing the monarch to tough it out.

With the shah thus committed, the

United States is inevitably involved. This country to some extent—and Japan and Europe far more—are heavily dependent on the Persian Gulf for oil. With weak regimes in Saudi Arabia, Pakistan and India, Iran is the only force for stability in the area.

The Russians have always looked on the shah's regime as, in Khrushchev's words, "a rotten piece of fruit" ready to fall into their hands. The more so now when trouble in the Persian Gulf presents probably the best way to break up the developing entente among the United States, China, Japan and Western Europe.

In these conditions the United States does not have the luxury of sniffing corruption in Iran, or playing liberal missionary on human rights, not mention being a supersleuth on weapon sales. If the shah has seemed depressed recently—and he has—it is in no small part because of the instilling of the Carter administration for building up popularity at home by playing moralistic suspicion of this country's lies.

To be sure, President Carter calmed the shah over the weekend and pressed support. But that is only a ginning of the kind of American being required if the shah is to play global politics: the role this country's interests demand.



Joseph Kraft

# The Iranian Test

The shah of Iran is prepared to go on vacation. But when? And where? And who will keep the nest warm while he is away?

On those questions there turns one of the great prizes in world politics. Accordingly, the role now played by the Carter administration in Iran provides the most critical test yet of the president's seriousness in foreign affairs.

Two considerations compel the shah to leave fairly soon. His absence has become a minimum requirement for calming the storm, especially the crippling oil strikes, that threatens to rip Iran apart. The more so as he seems to have lost the poise required for making decisions in a way that commands confidence.

But the way the shah takes his leave, the order of his going, is crucial.

With the monarchy falling apart, the Iranian military represents the only national organization that can restore order to Iran. Many signs—splits among high commanders, tension between senior and junior officers and an apparent loss of control in Mashad the other day—testify to the strains working on the military.

If the asset is waning, however, it is not yet gone. The soldiers will hold the fort, provided the shah orders them to do it in an unequivocal way. But both the military and the shah himself will want a strong voice in the management of affairs during his absence.

So the first order of business is the designation of a Council of Kingship to act as surrogate for the monarch during his absence. Apart from a strong military presence, the council will have to include senior officials suitable to the shah and with ties both to the technocrats who manage the national economy and at least some of the religious and political leaders now marking the opposition.

The next order of business is finding a place to which the shah can repair. For quickly calming the turbulence, he should ideally leave the country—preferably for another Islamic realm, say Saudi Arabia or Jordan. But if the shah just ups and leaves, his most intransigent opponent, Ayatollah Ruhollah Khomeini, who has been living in Paris for the past four months, may just up and return.

Khomeini, while a genius at stirring revolt, almost certainly lacks the capacity to put together a government, or even a consensus of religious leaders. The army would probably fight his return—maybe even to the point of a military coup. So the shah's vacation has to be coordinated—perhaps with the French government—in a way that does not invite the explosive return of Khomeini.

Almost equally important is the matter of timing. An orderly retreat is obviously preferable to a panicky rout. But how long can the shah stand the pressure? How close is the army to a *coup d'état*? And what will the Russians do in a sudden spasm of crisis?

Delicate probing is obviously required for answers to those questions. So delicate indeed that it is hard to imagine that the shah and his advisers—given their apparent exhaustion—can put it all together themselves. Which is where the United States comes in.

Because of Iran's role as an oil producer and as a protecting power throughout the Persian Gulf, this country has a major strategic interest in what happens in Tehran. The United States also has both the worldwide connections and intimate local contacts—particularly among the military—necessary to provide help in even these delicate circumstances.

So far the Carter administration has chosen to stand aloof. The president's domestic advisers, with Vietnam in mind, believe non-engagement is his best political posture. His national security adviser, Zbigniew Brzezinski, has allowed himself to be drawn into a battle of words with the State Department that has little to do with operational realities.

But the American stake in Iran is so huge that, willy-nilly, a United States policy gets made and impressions get formed. In the present case, the making of policy has devolved upon the resident American ambassador, William Sullivan. He, and the aloof stance of Washington, have given the impression that the United States does not support the shah very warmly, and that it favors a coalition government with ties to Khomeini. Those impressions have not only been received in Iran, but passed on to other interested countries—especially Saudi Arabia, Kuwait and the other oil sheikdoms in the Persian Gulf. The Saudi newspaper *Al Riyadh*, for example, spoke last week of American "complacency" about a "Soviet onslaught."

In other words, like it or not, the Carter administration is performing in Iran and will be judged by its policy or non-policy. If that country dissolves in chaos, the president will be blamed.

So a new choice now presents itself. The president can continue letting policy be made by default. Or he can take the risk advocated by advisers at the Energy Department and at the lower levels of the Pentagon of sending a special mission to Iran to manage the time of transition in a way that might minimize the losses to this country, that country and most of the rest of the world.



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# Carter and Iran

Joseph Kraft

## The Image of U.S. Power

Everybody laughed when it was announced that Jimmy Carter would be meeting with the leaders of Britain, France and West Germany in Guadeloupe on Jan. 5 and 6. But the president's little Caribbean holiday turns out to be no joke.

For world politics now centers around the crisis in Iran. And the resolution of that crisis depends in no small part on the projection of American power.

American power is critical to the Iranian crisis for two reasons. One is the shah, and the other is the Iranian army.

In the past six months, the shah has seen his once-vaunted authority crumble. Something like 90 percent of the country has turned against him in violent demonstrations and protests. His closest political associates have either fled or been taken into custody. He has even been brought to realize that he himself has to leave—at least temporarily—if order is to be restored.

Undoubtedly, the shah himself deserves most of the blame for his downfall. He drove his country toward development at a dizzy pace, and with an emphasis on prestige items that looked good abroad but brought only slight benefits at home. He surrounded himself with sycophants and entrusted power to corrupt and brutal men.

Still, for the past three months at least, the shah has been looking to the United States for cues. Some Americans—notably Zbigniew Brzezinski of the National Security Council—have urged him to be decisive and resolute, and meant it. But others, especially in the State Department and the embassy in Tehran, have counseled compromise and concessions.

In response to these mixed signals, the shah has concentrated on putting together a coalition government dominated by civilians, especially those in the opposition. Unfortunately, most of the component political groups in Iran are too far apart, and too disorganized, to get together. A coalition government, accordingly, is at best a cosmetic.

But those who urge the shah to apply the cosmetic are not blameless. He has a right to expect some kind of support from them. For them now to complain of his indecision—as they have been doing—can only depress his morale and intensify his hesitancy.

With the shah not functioning, the army is the only organization in Iran capable of bringing order to the country. But the military commanders are used to taking directions from the shah. Not only have they not been getting orders, but while

the shah has been trolling the opposition for a coalition government, they have been subjected to tremendous strain.

For most of last summer, while disorders flared all across the country, the military commanders were held in check. They virtually forced the shah to declare martial law in September and to set up a military government in November. But even then they were obliged to do nothing while demonstrations raged and protesters taunted the troops, and attempted to foment mutiny.

In the past few weeks there have been abundant signs that the army might be unraveling. A particularly important signal was the movement of the commander of the ground forces—Gen. Gholam Oveissi—to get out of the country.

One thing that might stay the erosion of the Iranian military is American support. Most of the Iranian military officers have been trained in the United States. Many of them are used to working with American officials. Indeed, they are dependent upon American support for many operations—for example, servicing helicopters.

In these conditions, there has been going forward in Washington a hot policy debate. Officials of the Defense Department, the Energy Department and the National Security Council have been urging an American commitment—preferably a presidential mission—to boost the morale of the shah and of the Iranian military. But the president's domestic advisers have warned against anything even resembling visible American engagement. The State Department and the embassy in Tehran have felt matters should best be left to the interplay of political forces in Iran. They have hoped that a retired general—Feridoun Jam—might emerge and take the army in hand.

Just before leaving for Guadeloupe, the president made a half-decision. He dispatched Gen. Robert Heyser, the deputy NATO commander, to Tehran. Gen. Heyser has worked with the shah and the top Iranian generals and may provide the necessary boost to morale.

But Gen. Heyser has been charged mainly with pedestrian matters, such as commissary supply and logistics. Far from having any political authority, he has probably never even met Jimmy Carter. So he may not succeed. If he doesn't, if Iran does go down the tubes, the image of American power the world will have in its mind's eye is of Jimmy Carter taking his ease on Guadeloupe.



Joseph Kraft

## Regent in Peking

Why now? Is the question that has to be asked about the announcement of the decision to normalize Sino-American relations. The almost certain answer is that the timetable was made in China. For the announcement establishes the primacy of the Chinese leader, Vice Premier Teng Hsiao-ping, on the eve of a major Communist Party meeting in Peking.

Teng has long since identified himself as the chief proponent of a program for rapid modernization of China through the import of technology and skills from Japan, Europe and the United States. He won a large measure of support for that program at a party workshop held in Peking during the last part of November. Still the victory was only partial.

He did not budge from their places two younger leaders who reached their eminence at his expense—Party Chairman and Premier Hua Kuo-feng and his ally, the security boss and vice chairman of the party, Wang Tung-hsing. All that happened was that Chairman Hua associated himself with the modernization campaign.

Neither did Teng set in motion a campaign against the chief doctrinal barrier to modernization by imported technology—the Maoist mystique. All that happened was that several of Mao's old enemies, purged in the 1950s, were rehabilitated.

That partial victory was not good enough for Teng. He is 76 and, as he re-

cently put it, about to "meet Marx." There is built-in resistance to modernization among party officials who, true to the Maoist vision, favor equality over the class distinctions sure to develop with the importation of Western technology. So unless Teng can establish his supremacy in a visible way, the party cadres will just outwait him.

The normalization agreement—and especially the announcement of Teng's forthcoming trip to Washington—put the stamp of supremacy on him in the most visible way. He is now in perfect position to drive home his primacy at the full meeting of the party Central Committee which is apparently now under way in Peking. What seems to be emerging is a pattern familiar in Chinese history—a situation in which Chairman Hua is the emperor who reigns while Vice Premier Teng is the regent who rules.

As it happens, what was good for Teng was not bad for the United States and Jimmy Carter. This country has had for 25 years a defense commitment to Taiwan. But that commitment, born out of a Chinese civil war in which the United States sided with the losers, has become increasingly embarrassing over the years.

There is now no prospect that the regime in Taiwan can unseat the Communists on the mainland, nor that the mainland would accept an independent Taiwan. The realistic prospect, on the contrary, is that eventually there would be a fight that would force the

United States to choose between doing battle for Taiwan or reneging on the commitment.

Avoiding that cruel choice is distinctly in the American interest, and the Carter administration, drawing on positions taken by the Nixon and Ford administrations, found a way to do it. Under the normalization agreement, the defense treaty lapses but the United States continues to sell arms to Taiwan. Thus, this country supports Taiwan's security, but not to the point of being dragged into a war.

Once the Chinese accepted those terms for normalization, Carter had to go along. Otherwise he would have been refusing to take yes for an answer to a question that this country had posed.

No doubt there will also be some additional gains from normalization. Assuring the primacy of Teng boosts his modernization program. That is good for trade, which is the basis for a developing entente among the United States, Japan and China. The understanding among the three powers should have a beneficial result all over Asia—especially in fostering less tension between the two Koreas.

But China is not a global power. Normalization is not going to make Americans seem to stand taller all around the world. On the contrary, countries that worry about the firmness of American support will find, in the ending of the defense treaty with Taiwan, new cause

for worry. Israel is certainly not going to feel reassured. Neither is Saudi Arabia, which has just shown its willingness to take distances from the United States by allowing the oil-exporting countries to put into effect a 14 percent price increase.

Finally there is the Soviet connection. The Russians are realists and will not let normalization with China block an agreement on the strategic arms treaty with the United States. But their suspicions are bound to go up.

Not entirely without reason. The timing of Teng's American visit, set to begin Jan. 29, seems calculated to counterbalance the visit due to be made, about the same time, by the Soviet leader Leonid Brezhnev for the purpose of signing an arms limitation treaty.

Moreover, the opposition to the arms control treaty in the Senate arises not so much from a critical appraisal of the document as from an undifferentiated feeling that it marks the end of U.S. supremacy—a sense that the spunk has gone out of America. The ending of relations with Taiwan can only stimulate that feeling, and so—by that irrational process—create more trouble for passage of the SALT treaty.

In these circumstances, the White House ought to be modest about what has happened. Talk of a global realignment is not only nonsense. It is a mark of the headiness that always goes before a fall.

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Joseph Kraft

# China: The Odds Against Modernization

Can Teng Hsiao-ping impose rapid modernization on mainland China? That is the question that has to be asked in the obscure half-light of the inscrutably Oriental events that have recently been shaking Peking.

Despite Teng's recent success, the long-term odds—economically, politically and actuarially—go against it. So, while this country has a strong vested interest in the success of his program, it is important to avoid entangling alliance with any faction in Chinese politics.

The modernization program identified with Teng calls for rapid advances in agriculture and industry by 1985. Agricultural production is to grow by 4.3 percent annually—growth that is higher than ever in the past. Industrial growth is supposed to increase at an annual rate of more than 10 percent.

The thrust for this truly great leap forward is supposed to come from high technology imported from Europe, Japan and the United States. To apply the new technology, China will train a whole new elite at home and abroad.

To pay for the training and imports, China will immediately expand, in partnership with foreign countries, production of exportable commodities—notably coal, iron and oil. To move the com-

modities, it will improve five harbors and develop six new railways.

On economic grounds alone, these targets seem extremely hard to achieve. Whether in Russia, Iran, Egypt, Brazil or Nigeria, plans for breakneck modernization of large, underdeveloped countries have tended to fail. China presents a particularly difficult proposition. Its huge population suggests that development can be achieved best around the use of manpower, not by modern machinery that saves on human labor.

Political obstacles to rapid modernization through foreign techniques seem even higher. The creed handed down by Mao Tse-tung emphasizes egalitarian, mass endeavor and self-reliance. It thus goes exactly counter to the social division between the masses and an elite with foreign connections implied by Teng's program.

Apart from having to contend with the ghost of Mao, the Teng modernization program has to fight the flesh-and-blood leaders who came to power during the Cultural Revolution and its aftermath. Having experienced the turmoil from 1966 through 1975, the latest crop of leaders is prone to resist modernization unless absolutely certain it will win out.

Which is where the actuarial tables

come in. Teng is 74 years old. His best-known allies in the leadership include China's president (Yeh Chien-ying) who is 80, a vice premier (Li Hsien-nien) who is 77 and the defense minister (Hsu Hsiang-ch'ien) who is 76.

Given those ages, Teng has to move—and move rapidly—to convert or cut down some of the younger leaders. That group includes preeminently Hua Kuo-feng, the chairman of the Communist Party and premier, who is 57; Wang Tung-hsing, a vice chairman of the party and security man, who is 62; and Chen Hsi-lien, a vice premier and commander of the Peking military district, who is 65.

At the recent meetings in Peking, Teng plainly made some progress. Hua apparently shifted from a position of reserve on modernization to one of enthusiasm. It is expected in the next few weeks that major contracts will be let to foreign firms for development of coal, iron and oil resources.

The two other younger leaders—Wang and Chen—while not purged, were the subject of wall-poster attacks that reflect diminished status. The Maoist cult was diluted by a decision to rehabilitate former Defense Minister Peng Teh-huai, an opponent of Mao who was purged in 1959.

But Teng clearly did not win an all-out victory. He remains vice premier of the government and vice chairman of the party. Hua is still in place as chairman and premier, and can easily slip back on modernization later on, especially since Maoism remains the official creed. Moreover, even to get what he did, Teng had to resort to the unorthodox (and potentially dangerous) device of street demonstrations and interviews with foreigners.

The U.S. interest is to favor Teng's program. An advancing China with ties to the West is the best possible antidote to the truly terrible prospect of a Sino-Soviet rapprochement. In that context, it makes sense to think carefully about the intriguing things Teng said to the astute columnist Robert Novak about normalization of relations with America.

However, the best hope for modernization is not that Teng achieve it, but that he passes the baton to some younger leader. So Washington ought to avoid a hard commitment to Teng in a factional context. The more so as this country, unlike Teng, wants to promote its China connection in a way that also fosters closer ties with the Soviet Union.



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# No Mandatory Controls

Mere arithmetic suggests that Phase II of President Carter's anti-inflation program will yield to Phase III. But does it follow as the night the day that, because Phase II features voluntary controls on wages and prices, Phase III will bring in mandatory controls?

Many people think so. Liberals argue that the voluntary program won't work and that when failure becomes clear the only alternative will be direct controls. Conservatives claim the Carter administration itches to interfere with the private sector anyway and won't miss this opportunity.

But the content of policy, as distinct from the arithmetical metaphor, points in the other direction. Far from seeking to control the economy, the Carter administration differs from recent Democratic predecessors in wanting to achieve public policy objectives by widening the options open to the private sector. Even if Phase II doesn't work, the signs will be ambiguous and there are many steps available to the administration before direct controls.

Consider first the four elements making up Phase II of the anti-inflation effort. The centerpiece is the voluntary guidepost program on wage and price increases. The aim of the guideposts is to give business enough muscle in dealing with labor so that the next round of wage increases can be held around 7 percent annually.

The guidepost program also affords some leeway to labor. It lies in the real wages insurance guarantee. That would give tax rebates to workers to make up the difference, if any, between a 7 percent wage hike and the annual rise in the consumer price index. So, far from controlling business and labor, the administration merely widens their opportunities to play roles more consistent with the public interest in stopping inflation.

The second feature of the program is budgetary stringency, particularly in the welfare field. By cutting government spending, the president, rightly or wrongly, implicitly passes on to the private sector responsibility for those who have traditionally been the wards of federal programs.

The third feature of the program is a commitment to support the dollar with high interest rates and a slush fund of some \$30 billion. That commitment was forced upon the administration by complaints from financial markets that the

sinking dollar destroyed confidence and impaired investment. So the administration has reversed itself, and is now propping up the dollar to create a climate for more activity by the private sector.

Fourth, and least noticed, there is deregulation. The administration is not merely promoting more competition in the trucking and railroad industries and in airlines. It also means to dismantle some of the environmental and safety controls applied by previous administrations. The aim, once more, is to lift burdens from the private sector, and give business a chance to show its stuff.

The sum of these measures presents a powerful showing of the president's commitment against interference in the marketplace. Indeed the preference for letting a disencumbered private sector achieve public policy objectives is perhaps the historic mark distinguishing this administration from past Democratic regimes. In any case it seems clear that Carter went to voluntary controls precisely in order to get a handle on inflation without having to go to mandatory controls.

The present policy may, of course, fail. In particular it seems doubtful that the big wage contracts can be held precisely at the 7 percent level. But the end results are bound to be cloudy, and there will be obscure differences between say the teamster contract, which comes up first, and the auto worker and rubber worker negotiations, which come later. No one will really be clear as to whether the policy has succeeded for many, many months.

Even if failure is evident, moreover, there are lots of alternatives remaining to the president. For example, suppose that, as many fear, high interest rates required by the commitment to support the dollar generate a recession in 1979. The president could then come back in 1980 with an appeal for stimulus by a tax cut. Which is not exactly bad political medicine for an election year.

What all this says to me is that those who predict mandatory controls on wages and prices are dead wrong. The president is going the other way. Phase III can turn out to be many things, including even a recession, but one of them is clearly not mandatory controls on wages and prices.

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*Joseph Kraft*

# Recession Warnings May Do Some Good

Federal Reserve Board Chairman William Miller charged the other day that economists predicting hard times might actually talk the country into a recession. But while that is theoretically possible, present conditions suggest that warnings do more good than harm.

For the country, and particularly the Fed, is now embarked upon uncharted seas. Shipwreck may be avoidable as the administration and Miller—rightly, I think—believe. But only if there is maximum vigilance against the hidden rocks and shoals.

The big new unknown is the impact of high interest rates on housing. The traditional means for slowing inflation has been a raising of interest rates by the Fed. Since thrift institutions were limited in the amount of interest they could pay, higher rates tended to divert funds to other uses. Mortgage money dried up, housing and construction declined, and economic activity slowed.

But last June the thrift institutions were empowered to issue certificates that make the interest they pay competitive. So despite a rapid rise in interest rates, the supply of mortgage money is still plentiful.

Moreover, in the past five years or so, no investment has been nearly as good as an investment in a home. So would-be buyers are prepared to pay very high mortgage rates to get a house.

Interest rates, accordingly, have to go up much higher than in the past before they make a dent in the housing market. In 1973, for example, housing began to tail off when short-term interest rates reached the area of 6.5 to 7 percent. Now the rate is between 9.5 and 10 percent. Housing, while not rising, is holding steady at around 10 million units annually.

The great danger, of course, is that interest rates will have to be raised so high, and for so long, that they will send the whole economy into a tailspin. Historically, indeed, that has not infrequently been the case. Out of the six postwar recessions, five were preceded by high interest rates and four by a true shortage of mortgage money—a so-called credit crunch.

Expectations that history will repeat itself prompt most of the predictions of a coming recession. For example, in a report on the economy in 1979 made last week to the American Security

bank, Arthur Okun of the Brookings institution wrote: "History warns that when the monetary brakes do take hold they typically grab abruptly rather than working gradually . . . the policy of restraint generally goes too far by the time the policymakers can see adequate results. I suspect that when high interest rates influence real activity the effect will be strong. And I doubt the Federal Reserve will let up promptly."

The view in the administration is far less dark. Lyle Gramley, the former research director at the Fed who is now a member of the President's Council of Economic Advisers, has recently reviewed a series of the leading indicators on which economists in the private sector place most reliance.

Two of those he considers revealing—the average work week in manufacturing, and corporate profits—have been going up since the trough of the recession in 1975 and are still rising. Another—the number of new claims for unemployment insurance—has been going down since the first quarter of 1975 and is still falling.

All the others—new orders for durable goods, fixed capital investment,

housing starts, the ratio of inventory to sales—are holding steady at high levels. So his view, and the consensus in the administration, is that no recession is in sight for at least six months.

The administration further believes that the Fed will be able to apply the monetary brakes in a gradual way and release them as soon as inflation is checked. One reason is that, with the new credit instruments, a slowdown in housing depends not on the drying up of mortgage money, which tends to be abrupt, but on the impact of rising rates, which tends to come in small bites. Most important, however, the administration—and the Fed's Miller—believe that, because they are alert to the dangers of a sudden credit crunch, they can probably avoid it.

That last point seems particularly telling to me. The calamities everybody expects rarely happen because people fearing the worst take countermeasures. But that means that the gloomy prophets—by keeping the Fed on its toes and making a turnaround politically easier when the moment comes—play a useful role.

Joseph Kraft

# Holding the Wage Line

On one critical front in the war against inflation, the outlook is not so bad. For a variety of reasons, the labor unions with contracts up for early negotiation are keen to settle.

But the administration may spoil even that chance. For President Carter has not only inflamed his personal relations with labor, but also has failed to designate any single government negotiator with whom the union leaders feel at ease.

The upcoming wage bargains are critical in part because everything else seems so unpromising. Energy costs have already been sent on a steep upward path by the decision of the oil-exporting countries to raise prices by 14.5 percent over the next year. Food prices, led by beef, are due to rise around 10 percent. Constraining demand by budgetary stringency and high interest rates is costly and slow. Since the cause of inflation is not excess demand, it takes a huge amount of unemployment to yield a tiny drop in inflation.

The wage negotiations, by contrast, are at once direct in their impact and subject to at least temporary influence by government. Wage rises feed right into price increases and thus have a di-

rect bearing on the cost of living. Contracts tend to run for at least a couple of years, and thus have an ongoing, as distinct from a one-shot, effect.

A comparability factor is at work, whereby different groups of workers stay in constant relation on the national pay scale. Thus each increase for each group sets the pattern for other increases for other groups.

Finally, there is a psychological element. Unlike price changes that tend to be made piecemeal and in the shadows, wage settlements are highly visible, public events. They flash to millions a clear message that says either that inflation is going up in a big way or that it is slowing down.

By good luck, special reasons favor moderate settlements in the first, widely publicized wage bargains due this year. The oil workers lead the way on a contract involving about 50,000 workers with a deadline of Jan. 7.

The key fact there is that labor is a small component of one of the most highly capitalized of all industries. The oil companies could easily take a strike and man the equipment with supervisory personnel. Company executives have already been primed against offering more than the 7 percent guide-

line figures by government officials. The union knows all this, and is already casting for a way out from under the pressure—perhaps through a short, renegotiable contract.

The second big contract, due March 31, involves some 400,000 Teamsters directly and a million more truckers indirectly. If a strike occurred, the Teamsters could take the country by the throat and force an emergency.

But Teamsters president Frank Fitzsimmons, in a recent interview, indicated he wanted no part of a strike. Neither is he overly concerned about wages, since his men—with incomes averaging around \$20,000 annually, tend to pay a large part of wage increases out in taxes. But he would like to strike a deal affecting two other matters that concern him deeply—health and pension benefits, and deregulation, which threatens to transform the entire trucking industry and to reduce drastically the percentage of drivers under union contract.

Finally, there are the rubber workers, some 50,000 strong, whose contract comes due in April. The rubber workers could shut down much of the tire industry, as they did for several months in 1976. But inventory is high,

and there is a threat from foreign and non-union competition. So the union has little taste for a rerun of the costly strike of two years ago.

An administration that knew how to play the labor hand might well foster a moderate stance by the unions. But Carter has had truly bad relations with George Meany, the head of the AFL-CIO. Carter poisoned matters further the other day by bumping Meany from a post on the board of directors of a public company, Comsat. In response, Lane Kirkland, Meany's deputy and a truly enlightened figure, felt obliged to resign all his presidential appointments.

The spiteful spat at the top would be less costly if there were someone else in the administration with whom the union leaders felt they could cut deals that would stick. But Secretary of Labor Ray Marshall, while liked, is perceived to have no clout at the White House. The group managing wage and price control under Alfred Kahn is seen (rightly or wrongly) as a faceless bureaucracy. "Telling your troubles to them," one neutral expert put it, "is like telling your troubles to the Federal Register."



THE WHITE HOUSE  
WASHINGTON  
1/10/79

Jim McIntyre  
Zbig Brzezinski

The attached was returned in the President's outbox today and is forwarded to you for your information. The signed original has been given to Bob Linder for appropriate handling.

Rick Hutcheson

cc: Bob Linder

THE WHITE HOUSE  
WASHINGTON

1/8/79

Mr. President:

NSC and OMB concur.

No comment from congressional liaison.

Rick

FOR OFFICIAL USE ONLY



THE DEPUTY SECRETARY OF DEFENSE  
WASHINGTON, D. C. 20301

30 DEC 1978

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Naval Ship Construction

The "alternate vessel" provision of the Act of March 27, 1934 (48 Stat 503, commonly known as the Vinson-Trammell Act), as reenacted by Section 302 of Public Law 89-37, is applicable to the construction of warships in the Navy's Shipbuilding and Conversion Program for each fiscal year. Section 302 requires that the first and each succeeding alternate warship be constructed in naval shipyards, but also provides that the President may vary this pattern in any year in the public interest. The ships authorized by the Ninety-fifth Congress for the Navy's FY 1979 Shipbuilding and Conversion Program to which this provision is applicable are one nuclear-powered attack submarine (SSN) and eight guided-missile frigates (FFG).

The SSN is a follow ship of the SSN-688 Class program. All prior SSN's of this class have been awarded to private shipyards for construction.

The eight FFG's are follow ships of a planned multi-ship production program developed to acquire a new class of guided-missile frigates. The lead ship of this class was commissioned in December 1977. The 25 follow ships funded in FY 1975, FY 1976, FY 1977, and FY 1978 have all been awarded to private yards. The urgency of delivery of these eight frigates to the Fleet and their attendant planning necessitate private shipbuilder construction. Assignment of any of the eight FY 1979 FFG's to a naval shipyard would disrupt their planned delivery schedules and would result in costs higher than those currently estimated for private yard construction.

I have enclosed a memorandum for your signature which authorizes the construction of these nine warships in private shipyards.

A handwritten signature in black ink, appearing to read "C. L. Hume", is located in the lower right quadrant of the page.

Enclosure

FOR OFFICIAL USE ONLY

1912

870 074 00

THE WHITE HOUSE

WASHINGTON

January 10, 1979

MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: Navy Ship Construction

With respect to the Navy's Fiscal Year 1979 Shipbuilding and Conversion Program, I find the requirements of the Act of June 11, 1965 (Public Law 89-37) that the first and each succeeding alternate warship shall be constructed in "Government Navy yards" to be inconsistent with the public interest. Accordingly, I authorize the construction in private shipyards of the nuclear-powered attack submarine and the eight guided-missile frigates in that program.

*Jimmy Carter*



THE WHITE HOUSE

WASHINGTON

January 10, 1978

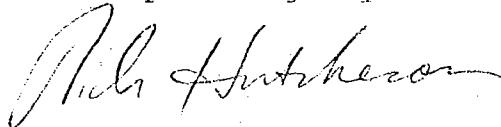
MEMORANDUM FOR

THE HONORABLE VERNON WEAVER

Administrator, Small Business Administration

Re: Designation of an Agency for  
Pilot Minority Procurement Program

The President reviewed your letter of December 15 on the above-referenced subject and designated the Army Department as the pilot agency.

A handwritten signature in cursive script, reading "Rick Hutcheson".

Rick Hutcheson  
Staff Secretary

THE WHITE HOUSE  
WASHINGTON

1/10/79

Stu Eizenstat  
Zbig Brzezinski  
Jim McIntyre

The attached was returned in the  
President's outbox today and  
is forwarded to you for your  
information.

SBA is being informed by a  
memo from me.

Rick Hutcheson

FOR ACTION  
FYI

	FOR STAFFING
	FOR INFORMATION
/	FROM PRESIDENT'S OUTBOX
	LOG IN/TO PRESIDENT TODAY
	IMMEDIATE TURNAROUND
	NO DEADLINE
	LAST DAY FOR ACTION

VICE PRESIDENT

JORDAN

EIZENSTAT

KRAFT

LIPSHUTZ

MOORE

POWELL

RAFSHOON

WATSON

WEXLER

BRZEZINSKI

MCINTYRE

SCHULTZE

ADAMS

ANDRUS

BELL

BERGLAND

BLUMENTHAL

BROWN

CALIFANO

HARRIS

KREPS

MARSHALL

SCHLESINGER

STRAUSS

VANCE

ARONSON

BUTLER

H. CARTER

CLOUGH

CRUIKSHANK

FIRST LADY

HARDEN

HERNANDEZ

HUTCHESON

KAHN

LINDER

MARTIN

MILLER

MOE

PETERSON

PETTIGREW

PRESS

SANDERS

WARREN

WEDDINGTON

WISE

VOORDE

ADMIN. CONFIDEN.

CONFIDENTIAL

SECRET

EYES ONLY

*Draft memo  
to Weaver*

THE WHITE HOUSE

WASHINGTON

January 9, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Sh*

SUBJECT:

SBA Memorandum -- Designation of an Agency  
for Pilot Minority Procurement Program

Vernon Weaver has submitted a memorandum recommending a Department for you to designate as SBA's partner in a two-year pilot program to stimulate minority non-competitive procurement under SBA's section 8(a) program. The pilot project is mandated by the new Addabbo-Mitchell minority business legislation, and will give the SBA increased minority authority to negotiate which departmental contracts are awarded under section 8(a), and to seek high-level departmental review of procurement decisions made against SBA recommendations.

SBA recommended the Defense Department without consulting them, and we found that DOD had strong objections based on (1) SBA's probable inability to review such a massive procurement system, and (2) the administrative and national security problems which might arise if the expanded SBA role introduced untoward procurement delays.

After a series of negotiations, SBA and DOD had agreed to recommend the Department of the Army as a compromise. DPS, NSC, and OMB (Office of Procurement Policy) concur. We have an oral agreement that there will be an exception for procurements reasonably judged urgent and essential to the national security function. SBA staff are confident that designation of a service department is permissible under the law, and that there will be no serious congressional opposition. Rep. Addabbo, however, may raise this subject in a meeting with you.

Decision

Designate Army Department ☒ (recommended) Other ☐



U.S. SMALL BUSINESS ADMINISTRATION  
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

DEC 15 1978

The President  
The White House  
Washington, D. C. 20500

Dear Mr. President:

Section 202 of Public Law 95-507 / ~~58~~(a)(1)(B) of the Small Business Act of 1953, as amended/ empowers the Small Business Administration "to enter into contracts with such agency, as shall be designated by the President within 60 days after the effective date of this paragraph, to furnish articles, equipment. . .for such agency." The deadline for your decision to select the pilot agency pursuant to the above-quoted section of the Act is December 23, 1978.

This two-year pilot program will provide the SBA with increased authority to negotiate with a designated pilot agency for any contract requirements that we select for use in the 8(a) program. This new authority will greatly enhance our ability to effectively manage the 8(a) program.

We have reviewed, studied, and analyzed several Federal agencies which are active in our 8(a) program. Based upon this analysis, it is my recommendation that the Department of Defense be selected as the pilot agency.

Sincerely,

  
A. Vernon Weaver  
Administrator

Enclosure



DATE: 15 DEC 78

FOR ACTION: STU EIZENSTAT

ZBIG BRZEZINSKI

INFO ONLY: THE VICE PRESIDENT

SUBJECT: VERNON WEAVER MEMO RE SELECTION OF PILOT AGENCY PURSUANT  
TO SECTION 202 OF PUBLIC LAW 95-507 OF THE SMALL BUSINESS  
ACT OF 1953

+++++  
+ RESPONSE DUE TO RICK HUTCHESON STAFF SECRETARY (456-7052) +  
+ BY: 1200 PM MONDAY 18 DEC 78 +  
+++++

ACTION REQUESTED: YOUR COMMENTS

STAFF RESPONSE: ( ) I CONCUR. ( ) NO COMMENT. ( ) HOLD.

PLEASE NOTE OTHER COMMENTS BELOW:

## MEMORANDUM

## NATIONAL SECURITY COUNCIL

December 29, 1978

MEMORANDUM FOR: RICK HUTCHESON

FROM: CHRISTINE DODSON *Chilina*

SUBJECT: Selection of Pilot Agency for  
2-Year Test Pursuant to Section 202  
of P.L. 95-507 (Small Business  
Administration)

After the suspense date we received additional information from Defense on this issue which we consider significant.

While in the past the Defense Department has supported 8(a) SBA programs, DOD now opposes their nomination as the test agency in a two-year pilot program. The NSC believes, as does Defense, that DOD is not the appropriate agency to test the new program for the following reasons:

- DOD requirements often are not compatible with the SBA portfolio of 8(a) firms and the SBA administrative capability. There have been many instances under the 8(a) Program where SBA-recommended actions could not be fulfilled because contractors could not be found to meet the requirement; their price was not competitive; or the SBA staff was unable to handle the volume of actions involved. For example, in FY 1978, approximately 1,375 proposed 8(a) contracts involving over \$200 million were not awarded for these reasons.
- DOD's manufacturing and high technology requirements would be prime candidates for the test. In many cases, these requirements relate to essential national defense programs which could be seriously disrupted or delayed by participation in SBA experimental subcontracting efforts.
- No time limit is placed on the SBA in its consideration of contracts to be placed under the test program, nor is there provision for withdrawing a requirement from the test in the interest of national defense. Such flexibility is essential and now exists under the present 8(a) Program.

While the new law provides for a 5-day Secretarial appeal, this is inadequate for an agency with a procurement system consisting of approximately 35,000 people located in over 600 offices which processed over 11,000,000 contracts in FY 1978. In a system this large, it would take weeks to process an objection prior to the running of the 5-day appeal.

- The SBA has a limited number of qualified technical and engineering personnel to determine contractor qualifications. It will be difficult for the SBA to provide the qualified personnel necessary to make value judgments in high technology programs. This would cause excessive delays in obtaining needed defense equipment and might result in degradation of national defense capabilities.

The NSC recommends that an agency other than Defense be nominated for the subject SBA test.



THE WHITE HOUSE

WASHINGTON

Date:

MEMORANDUM

FOR ACTION:

FOR INFORMATION:

FRANK MOORE  
ZBIG BRZEZINSKI  
JIM MCINTYRE

FROM: Rick Hutcheson, Staff Secretary

SUBJECT: EIZENSTAT MEMO RE SBA MEMO -- DESIGNATION OF AN AGENCY  
FOR PILOT MINORITY PROCUREMENT PROGRAM

YOUR RESPONSE MUST BE DELIVERED  
TO THE STAFF SECRETARY BY:

TIME:

DAY:

DATE:

ACTION REQUESTED:

☒ Your comments

Other:

CL -- LET ME KNOW BY 12:00 WEDNESDAY IF YOU WISH  
TO COMMENT

STAFF RESPONSE:

☐ I concur.

☐ No comment.

*Please note other comments below:*

**PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.**

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately. (Telephone, 7052)

THE WHITE HOUSE

WASHINGTON

January 9, 1979

MEMORANDUM FOR:

THE PRESIDENT

FROM:

STU EIZENSTAT *Sh*

SUBJECT:

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Decision

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